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ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

ANNUAL REPORT 1988-1989

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ANNUAL REPORT 1988-1989

SUITE 690, 10020-101A AVENUE EDMONTON ALBERTA T5J 3G2 (403) 424-8855 FAX: (403) 424-7669

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ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

CHAIRMAN'S MESSAGE

Edmonton, March 16, 1990

The Honorable Peter Elzinga
Minister of Economic Development and Trade
Edmonton, Alberta

In accordance with the provision of Section 9 of the Motion Picture Development Act 1981, as amended by Bill 11 Motion Picture Development Act 1988, I have the honour to present to you, on behalf of the Board of Directors, the seventh Annual Report of the Alberta Motion Picture Development Corporation and the financial statements for the year ended March 31, 1989.

A renewed and expanded mandate legislated in the spring of 1988, supported with an infusion of additional funds to the Corporation by the Alberta Government, allowed for a record year of indigenous production in Alberta. During the 1988 - 1989 fiscal year the Corporation, through its various programs, committed $1.35 million to the Alberta motion picture industry. Investments made in the last six months of the 1988 - 1989 fiscal year triggered the production of five indigenous Alberta projects. These included three feature films, one television movie and a television series. Production budgets totaled $8.65 million.

During the 1988 - 1989 fiscal year, AMPDC welcomed two additional members to its Board of Directors. Mr. Veryln Olson, a lawyer from Camrose, Alberta, and Mr. Larry Becker, a film exhibitor in Waterton, Alberta, joined the Board in November 1988. Their backgrounds complimented the experience and knowledge of the existing five members of the Board. This expanded Board made a very valuable contribution to the Corporation's activities.

Expansion of financial programs in the 1988-1989 fiscal year heralded a new era for the Corporation. These loan and investment programs have been made possible by the support of the provincial government and will provide a solid future for the Alberta motion picture industry.

We are confident in the future of our industry. Indigenous production companies continue to diversify Alberta's economy and provide employment to talented Alberta cast and crew. Albertans continue to supply high calibre feature films and television programs. These films are achieving world-wide attention through the support of the Alberta Motion Picture Development Corporation. We are proud to assist in the creative and business accomplishments of these Alberta companies.

Orville Kope
Chairman

PRESIDENT'S MESSAGE

Since our inception in 1982, it has always been a pleasure to report our annual activities to the Minister of Economic Development and Trade. It is with particular pleasure we report this year because so many of the industry's and Alberta government's early hopes and plans are now coming to fruition. Activity this year confirms the industry's belief that a minimal amount of financial support from the province can help local filmmakers to become major players within the Canadian and international motion picture industry.

While the growth in feature film and television production is the direct result of the talent, tenacity and hard work of our entrepreneurial film producers, we at the AMPDC nonetheless take pride at the contribution we have made.

Much of the increase in production can be traced directly to the government's new legislation in 1988 enabling AMPDC to invest directly in production rather than being limited to loans for project development. A three-fold increase to AMPDC's funds (from $3 million to $10 million) is having a phenomenal effect on Alberta's motion picture industry. We take this opportunity to extend our appreciation to the government for this concrete demonstration of faith in our industry.

1988 - 1989 AN UNPRECEDENTED YEAR OF INDIGENOUS PRODUCTION

During the 1988 - 1989 fiscal year (keeping in mind that equity financing was only in effective existence for the last six months of the year) five major indigenous productions took place. They include three feature theatrical films, one television series and one television drama. Production budgets for these projects totaled $8.65 million. AMPDC contributed $1.35 million to these budgets. Significantly, a high percentage of the balance of $7.30 million came from sources outside the province.

When the standard industry multiplier effect formula for film production (3.6 X every $1.00 invested in production) is calculated, we see that the $8.65 million in production funds triggered $31.14 million in new economic activity in Alberta. Beyond the monetary impact, this increase in indigenous film production has an added general benefit to the Alberta economy through increased employment and the use of a wide spectrum of services.

PRODUCING QUALITY ENTERTAINMENT

You will find listed elsewhere in this report a complete compendium of the projects that AMPDC has assisted in development and production, but I would like to briefly mention some highlights.

BYE BYE BLUES, Anne Wheeler's feature theatrical film, is sure to gain universal critical reviews. It is slated for theatrical release in Canada in the fall of 1989, to be followed by a theatrical run in the United States in the Spring of 1990. CBC network will premiere the film in 1990 as well.

Wheeler's reputation as a filmmaker is even more established worldwide with BYE BYE BLUES. Albertans can be justly proud of her 'stardom' - a characteristic so elusive for Canadians. It is anticipated BYE BYE BLUES will be nominated for most of the Genie Awards - Canada's premiere film achievement event.

Helene White, an established Calgary filmmaker who has, during the year, concluded deals with CFCN-TV (Calgary) and CHCH-TV (Hamilton) to produce many more episodes of her award-winning series for teenagers, CONNECTING. White is currently negotiating a United States syndication sale for CONNECTING which will be a breakthrough for Alberta independent television producers into the American market.

Spectacular scenery is close at hand for James Angrove and Jon Long of RAP Entertainment, a Calgary production company which is producing an action packed ski movie called INTO THE SNOW ZONE. Angrove and Long successfully broke into the ski movie circuit last year with their first feature SKIER'S DREAM, and this year's movie will secure their niche in this lucrative market.

LIFE AFTER HOCKEY, the critically acclaimed Ken Brown play which premiered at Edmonton's Fringe Festival, was adapted into a television drama by GREAT NORTH PRODUCTIONS. This new Alberta production company was formed by Tom Radford and Andy Thomson, both respected and experienced filmmakers. LIFE AFTER HOCKEY stars Ken Brown, with guest appearances by Kurt Browning and 'Rocket' Richard. It will be seen this fall on television.

Eda Lishman, writer, director and producer of the feature film PRIMO BABY, which was shot this year, secured an almost exclusively Albertan cast - including a new young Alberta actor, Esther Purvis-Smith, as the lead character 'Paschal'.

PRESIDENT'S MESSAGE

OUR FISCAL YEAR

In recognition of the developmental nature of the AMPDC and the high risk aspects of the motion picture industry, the Corporation and the government, with foresight, created an exceptionally high formula within our financial statements for allowing the non-recovery of loans made to develop motion picture projects and producers.

In the fiscal year 1988 - 1989 the AMPDC took action on eleven loans which were inactive and over-due to the Corporation. The sum of these loans was $1.2 million ($421,601.00 of this was accumulated interest). The write down of these loans was more than allowed for in the previous fiscal year 1987 - 1988 Annual Report as an 'allowance for non-recovery'.

We view this year's write downs as a clean-up of almost eight years of development loan activity and we forecast future write downs will be significantly lower. Our confidence in lower future write downs is based, on AMPDC's new capability of investing in production and, development loans being repaid on the first day of photography of the project. As well, the size of our loans per project are much smaller. Finally, from experience, our ability to judge the performance of different types of projects and individual producers is much better than in our first years of operation.

AMPDC understands the time required to successfully develop projects to production readiness. Patience is being rewarded as the Corporation experiences a record year in the number of projects which repaid all or part of their development loans. $486,971.00 worth of loans was repaid in the 1988 - 1989 fiscal year.

NEW PROGRAMS

In addition to the new Equity Program to provide investment in Alberta productions, the Corporation is preparing to introduce new programs to assist aspiring producers in financing their first feature-length films and television movies.

As well, the Corporation will have in place, in the next fiscal year, a marketing assistance program to aid Alberta film sales domestically and internationally.

LOOKING AHEAD

We are predicting even more indigenous production for the 1989 - 1990 fiscal year.

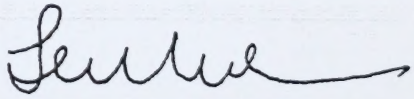
Further stability within the Alberta motion picture industry would be accomplished with the addition of ongoing television series production. Alberta production companies, with the aid of AMPDC, are poised to enter this specialized market. Negotiations are presently underway between Alberta production companies, domestic and international production companies and television networks to increase indigenous series television production in this province. If this occurs, it will be a major step forward for the Alberta industry.

Albertans are looking further abroad in their business dealings and there are a number of television and feature film projects which will involve a combination of Alberta and foreign talent and financing.

We are looking ahead to aiding a number of new and established Alberta producers to develop and produce their projects in 1989 - 1990. Producers are seeking AMPDC's assistance in projects of all genres - from drama to documentary, action/adventure feature films to touching family television movies.

Finally the AMPDC itself was pleased and honored to be nominated by the Canadian Film and Television Association for their prestigious Corporate Achievement Award for the Corporations' contribution to Canadian independent film production. We are proud of C.F.T.A.'s recognition, but we also believe it represents the impact Albertan's are having on the Canadian motion picture industry.

In closing, I would again extend our appreciation to the Alberta government, specifically the Department of Economic Development and Trade, The Honorable Peter Elzinga and his staff, for their understanding and support of our programs and their continuing confidence in the ability of Alberta filmmakers to operate a viable, commercial film industry in our province.



LORNE W. MACPHERSON

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

BOARD OF DIRECTORS & ADVISORY COMMITTEE

BOARD OF DIRECTORS

as at March 31, 1989

ORVILLE KOPE, Chairman
Retired
Radio & Television Executive
Medicine Hat, Alberta

LARRY BECKER
Film Exhibitor
Waterton, Alberta

HELEN HAMMOND
Corporate Partner
Foster Research
Calgary, Alberta

REX LITTLE
Chartered Accountant
Lethbridge, Alberta

VERLYN OLSON
Lawyer
Camrose, Alberta

THOMAS PEACOCKE
Professor of Drama
University of Alberta
Edmonton, Alberta

JOHN RITCHIE
Senior Vice President, Marketing & Sales
InvestMet Financial Corporation
Edmonton, Alberta

ADVISORY COMMITTEE

as at March 31, 1989

PETER CAMPBELL
Dreamland Picture Company Limited
Edmonton, Alberta

GEORGE CHRISTOFF
Alberta Motion Picture Industries Association
Edmonton, Alberta

TOM DENT-COX
Three Rings Productions Inc.
Calgary, Alberta

GAYLE HELFRICK
Tinsel Media Productions Ltd.
Edmonton, Alberta

DOUG MACLEOD *
Bradshaw, MacLeod & Associates
Calgary, Alberta

SHARON POLLOCK *
Playwright
Calgary, Alberta

WAYNE SKENE *
Canadian Broadcasting Corporation
Edmonton, Alberta

ALLAN STEIN *
Stein/MacLean Productions
Edmonton, Alberta

HELENE B. WHITE
HBW Film Productions Inc.
Calgary, Alberta

* ENDED TERM ON COMMITTEE

FINANCIAL PROGRAMS & PROJECT LISTINGS

IN THE FISCAL YEAR 1988 - 1989 AMPDC INTRODUCED A SLATE OF NEW FINANCING PROGRAMS TO REFLECT THE CORPORATION'S INCREASED MANDATE AND IN RESPONSE TO RECOMMENDATIONS FROM THE ALBERTA MOTION PICTURE INDUSTRY. A LIST OF THE PROJECTS IN WHICH AMPDC IS FINANCIALLY INVOLVED (AS AT MARCH 31, 1989) FOLLOWS.

INITIAL DEVELOPMENT LOANS (total: 4)

Loans are made to individual Alberta producers and/or production companies for the fundamental development of a script for a feature film or television project. The maximum loan from AMPDC is 60% (to a maximum of $15,000.00) of the initial development budget.

TITLE	PRODUCTION COMPANIES PRODUCERS	GENRE
BIG TAKE OUT (THE) COMEDY/DRAMA 90 minutes	BILL SOROCHAN	FEATURE FILM
SOMETHING'S GOTTA GIVE DRAMA 90 minutes	KING MOTION PICTURES CORPORATION DOUG HUTTON	TELEVISION MOVIE
TANGO DURO ACTION/ADVENTURE DRAMA 90 minutes	BRADSHAW, MACLEOD & ASSOCIATES LTD. RANDY BRADSHAW DOUG MACLEOD	FEATURE FILM
UNDER THE 'O' DRAMA 90 minutes	THREE RINGS PRODUCTION INC. TOM DENT-COX	FEATURE FILM

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PRE-PRODUCTION LOANS (total: 34)

Loans are made to incorporated Alberta companies for the advanced development of feature films and television projects. Development may include such things as ongoing scripting from first draft, preparing financial and marketing packages and other related pre-production expenses. The maximum loan from AMPDC is 60% (to a maximum of $200,000.00) of the pre-production development budget.

TITLE	PRODUCTION COMPANIES PRODUCERS	GENRE
ANGEL SQUARE FAMILY DRAMA 90 minutes	WHEELER/HENDREN ENTERPRISES LTD. ANNE WHEELER	FEATURE FILM
B-MOVIE COMEDY/DRAMA 90 minutes	B-MOVIE - THE PLAY, THE MOVIE LTD. GEORGE CHRISTOFF PETER PEROFF	FEATURE FILM
BADLANDS PERIOD DRAMA 90 minutes	BADLANDS PRODUCTIONS INC. ANDY THOMSON TOM RADFORD	FEATURE FILM
BEST OF THE WEST DOCUMENTARY 13 x 30 minutes	GREAT NORTH PRODUCTIONS INC. CHERYL SKOREYKO TOM RADFORD	TELEVISION SERIES
DRAGON BONES ANIMATED DOCUMENTARY 35 minutes	GREAT NORTH PRODUCTIONS INC TOM RADFORD ANDY THOMSON	IMAX THEATRICAL FILM
ESPECIALLY BABE PERIOD FAMILY DRAMA 13 x 30 minutes	GREAT NORTH PRODUCTIONS INC. TOM RADFORD ANDY THOMSON	TELEVISION SERIES
FLASH FRAME (KILLER IMAGE) ACTION/ADVENTURE 90 minutes	FLASH FRAME CORPORATION DAVID WINNING	FEATURE FILM

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FINANCIAL PROGRAMS & PROJECT LISTINGS

TITLE	PRODUCTION COMPANIES PRODUCERS	GENRE
GIFT OF CHARLES M. RUSSELL DOCU-DRAMA 60 minutes	DOUBLE G. PRODUCTIONS GREG COYES GEORGE CHRISTOFF	TELEVISION SPECIAL
GOLDEN LEGACY HISTORICAL DRAMA 3 x 60 minutes	FILMCO PRODUCTIONS LTD. DICK B. WONG	TELEVISION MINI-SERIES
HORIZON PERIOD DRAMA 90 minutes	MAGGIES MOVIES LTD. MARGARET KOPALA	FEATURE FILM
INITIATION OF ADRIAN POPE (THE) PERIOD DRAMA 90 minutes	LIONSGATE MOTION PICTURE CORPORATION TONY ALLARD	FEATURE FILM
KEEPER (THE) FAMILY DRAMA 90 minutes	WHITING COMMUNICATIONS LTD. GLYNIS WHITING	FEATURE FILM
KID (THE) FAMILY DRAMA 90 minutes	339561 ALBERTA LTD. LARS LEHMANN	TELEVISION MOVIE
LITTLE VAMPIRE - BOOK II CHILDREN'S DRAMA 13 x 30 minutes	NORFLICKS PRODUCTIONS LTD. RICHARD NIELSEN	TELEVISION SERIES
MIDNITE CAFE COMEDY/DRAMA 90 minutes	MIDNITE CAFE PRODUCTIONS LTD. WENDY HILL-TOUT	FEATURE FILM
MOUNTAIN MEN ACTION/ADVENTURE	303547 ALBERTA LTD. WENDY WACKO	TELEVISION MOVIE (PILOT)

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FINANCIAL PROGRAMS & PROJECT LISTINGS

TITLE	PRODUCTION COMPANIES PRODUCERS	GENRE
MOVE OVER COMEDY 30 minutes	MOVE OVER TELEVISION INC. EDA LISHMAN	TELEVISION SERIES (PILOT)
NIGHT WE STOLE THE MOUNTIES CAR (THE) COMEDY/DRAMA 90 minutes	LAWRENCE HERTZOG PRODUCTIONS LTD. LAWRENCE HERTZOG	FEATURE FILM
OPTIC HEART (EXPOSURES) DRAMA 90 minutes	COTTAGE FILM INDUSTRIES LTD. JOSEPH VISZMEG PETER CAMPBELL	FEATURE FILM
THE PRODUCER'S PACKAGE	THE PRODUCERS LIMITED EDA LISHMAN	FEATURE FILMS
RIDERS OF THE SAVAGE PLAIN PERIOD ACTION/ADVENTURE 6 x 60 minutes	RIDERS OF THE PROMISED LAND INC. MARIE-JOSÉ RAYMOND MICHELLE G. STIRLING	TELEVISION MINI-SERIES
RIVER OF BONES DOCU-DRAMA 60 minutes	367612 ALBERTA LTD. NICK BAKYTA	TELEVISION SPECIAL
SCARLET HERITAGE PERIOD IMAX DRAMA 30 minutes	ALTA-MAX PRODUCTIONS INC. WALDO RANSON	IMAX FEATURE FILM
SECRET OF SAMOA DOCUMENTARY 30 minutes	SAMOA PROJECT FILMS LTD. REEVAN DOLGOY	TELEVISION SPECIAL (PILOT)
STRIKER'S MOUNTAIN ACTION/ADVENTURE 90 minutes	289201 ALBERTA LTD. WENDY WACKO	MOVIE OF THE WEEK (PILOT)

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FINANCIAL PROGRAMS & PROJECT LISTINGS

TITLE	PRODUCTION COMPANIES PRODUCERS	GENRE
SWAMP KING'S DAUGHTER CHILDREN'S DRAMA 90 minutes	EMERALD PRODUCTIONS LTD. DAGMAR SULMANIS	FEATURE FILM
SYLVAN LAKE FAMILY DRAMA 13 x 30 minutes	KITCH IN SYNC PRODUCTIONS LTD. PETER CAMPBELL, TOM DENT-COX ARVI LIIMATAINEN, DOUG MACLEOD, ALLAN STEIN	TELEVISION SERIES
TALKING DIRTY COMEDY/DRAMA 90 minutes	PRIMEDIA PRODUCTIONS LTD. SIMON BARBER	TELEVISION MOVIE
TEL FAMILY DRAMA 90 minutes	394935 ALBERTA LTD. HELENE B. WHITE	TELEVISION MOVIE
THIS IS NOW DRAMA 13 x 30 minutes	THE MEDIA WORKS GROUP DOUG BERQUIST	TELEVISION SERIES (PILOT)
TICKETS PERIOD DRAMA 90 minutes	TICKET FILM PRODUCTION LTD. REEVAN DOLGOY	FEATURE FILM
TREEHOUSE FAMILY DRAMA 90 minutes	367612 ALBERTA LTD. NICK BAKYTA	TELEVISION MOVIE
UNSEELIE SCI-FI SUSPENSE 90 minutes	PENWORTH PRODUCTIONS INC. EDA LISHMAN	FEATURE FILM
WACKO PACKAGE	WACKO ENTERTAINMENT LTD.	FEATURE FILMS

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FINANCIAL PROGRAMS & PROJECT LISTINGS

EQUITY INVESTMENTS (total: 5)

AMPDC's objectives for this program are to assist in the production financing of fully developed, commercially viable Alberta film or television projects. AMPDC may invest up to 25% of the total production budget (to a maximum of $500,000.00). Financing is made available by means of the purchase of an undivided interest in the copyright to a motion picture. This program was introduced in June of 1988.

TITLE	PRODUCTION COMPANIES PRODUCERS	GENRE
BYE BYE BLUES PERIOD DRAMA 90 minutes	TRUE BLUE FILMS LTD. TONY ALLARD, ARVI LIIMATAINEN, ANNE WHEELER	FEATURE FILM
CONNECTING II YOUNG ADULT TALK SHOW 26 x 30 minutes	317537 ALBERTA LTD. HELENE B. WHITE	TELEVISION SERIES
INTO THE SNOW ZONE SKI ACTION/ADVENTURE 70 minutes	RAP FILMS LIMITED JON LONG JAMES ANGROVE	FEATURE FILM
LIFE AFTER HOCKEY DRAMA 50 minutes	GREAT NORTH PRODUCTIONS INC. ANDY THOMSON	TELEVISION MOVIE
PRIMO BABY FAMILY DRAMA 90 minutes	VICTORY FILM PRODUCTIONS INC. EDA LISHMAN	FEATURE FILM

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 1989

Auditor's Report

Balance Sheet

Statement of Operations

Statement of Equity in Fixed Assets

Notes to the Financial Statements

OFFICE OF THE AUDITOR GENERAL

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Motion Picture Development Corporation

I have examined the balance sheet of the Alberta Motion Picture Development Corporation as at March 31, 1989 and the statements of operations and equity in fixed assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989, and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald A. Salmon

FCA
Auditor General

Edmonton, Alberta
July 14, 1989

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

BALANCE SHEET

AS AT MARCH 31, 1989

	1989	1988
ASSETS		
Operating Fund		
Cash	$ -	$ 16,967
Accounts receivable	2,325	1,826
Prepaid expenses	17,069	6,947
Fixed assets (Note 3)	103,899	78,645
	123,293	104,385
Development Fund		
Cash	519,417	96,771
Loans to producers of motion pictures (Note 4)	278,161	1,194,096
Investments in motion pictures (Note 5)	863,206	-
	1,660,784	1,290,867
	$ 1,784,077	$1,395,252
LIABILITIES		
Operating Fund		
Bank overdraft	$ 8,216	$ -
Accounts payable	9,544	13,592
Due to the Province of Alberta (Note 6)	1,634	12,148
Equity in fixed assets	103,899	78,645
	123,293	104,385
Development Fund		
Due to the Motion Picture Development Fund (Note 7)	1,660,784	1,290,867
	$ 1,784,077	$1,395,252

The accompanying notes are part of these financial statements.

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1989

	1989	1988
Salaries and employee benefits	$176,426	$155,950
Promotion, marketing and travel	94,230	92,416
Fixed assets	30,362	14,643
Office rental	19,812	27,655
Advertising	18,536	19,644
Professional fees	18,064	19,018
Supplies and services	17,875	16,188
Honoraria - Board and committee members	14,761	9,770
Telephone	12,032	11,837
Equipment rental and repair	11,241	16,970
Automobile expenses	7,775	7,779
	$421,114	$391,870
Contribution by the Province of Alberta (Note 6)	$421,114	$391,870

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

STATEMENT OF EQUITY IN FIXED ASSETS

FOR THE YEAR ENDED MARCH 31, 1989

	1989	1988
Balance at beginning of year	$ 78,645	$109,993
Add: Purchases	30,362	14,643
Less: Disposals	(5,108)	(45,991)
Balance at end of year	$103,899	$ 78,645

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1989

Note 1 Authority

The Alberta Motion Picture Development Corporation operates under the authority of the Motion Picture Development Act, Chapter M-19.1, Statutes of Alberta 1981, as amended.

On May 27, 1988 the Motion Picture Development Amendment Act, 1988 came into force. The main impact of the Amendment Act is to:

- permit the Corporation to operate beyond March 31, 1989, the previous expiry date;

- increase the advances available from the Motion Picture Development Fund to $10 million from $3 million; and

- expand the Corporation's powers to include making investments.

Note 2 Significant Accounting Policies and Reporting Practices

a) Basis of Accounting

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

i) fixed assets, consisting of leasehold improvements and furniture and equipment, are charged to operations in the year of acquisition. The balance sheet also shows, for information purposes, the cumulative amount of such expenditures in respect of all fixed assets presently owned with a corresponding credit shown as equity in fixed assets; and

ii) none of the equipment acquired by the Corporation under long-term leases has been capitalized. All leases are accounted for as operating leases.

b) Fund Accounting

The Corporation receives funding from different sources. It is the Corporation's policy to keep these funds segregated by purpose and to report the assets and liabilities of each fund separately on the balance sheet. The two funds are:

Note 2 Significant Accounting Policies and Reporting Practices (continued)

b) Fund Accounting (continued)

i) an operating fund which receives operating grants from the Department of Economic Development and Trade of the Province of Alberta to pay the operating expenses of the Corporation.

ii) a development fund which receives advances from the Motion Picture Development Fund, interest earned on loans to producers, bank interest earned on unutilized advances and returns on investments. These amounts are used to make loans to producers of motion pictures and to invest in motion picture productions.

c) Allowance for Non-Recovery of Loans and Write Down of Investments

i) Loans and interest receivable

The allowance for non-recovery of loans and interest receivable is determined through the application of a specific formula which considers the high financial risks associated with the pre-production stage of making motion pictures. The formula provides an amount sufficient to cover anticipated losses.

ii) Investments

The Corporation invests in motion picture projects in the Province of Alberta. Due to the high financial risks associated with the production of motion pictures and the absence of any long-term loss experience with investments, an allowance for expected decline in value of 25% of the investments has been provided.

An effect of the above allowances is to decrease loans and interest receivable and investments, and the amount due to the Motion Picture Development Fund. Any subsequent recoveries of amounts for which allowances were provided increase the amount due to the Fund and the amount available to the Corporation for purposes of making additional loans and investments.

d) Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Fixed Assets

Fixed assets consist of:

	1989	1988
Furniture and equipment	$103,899	$74,684
Leasehold improvements	-	3,961
	$103,899	$78,645

Note 4 Loans to Producers of Motion Pictures

These loans are limited to 60% of the total funds required during the pre-production stage of a motion picture.

	1989	1988
Loans and interest due from producers at beginning of year before allowance for non-recovery	$ 2,871,170	$ 2,688,799
Add:		
Loans advanced in year	361,202	335,310
Interest earned in year	276,736	248,527
Deduct:		
Loans repaid by producers	(423,743)	(7,568)
Interest received	(63,229)	(28,375)
Loans and interest written off	(1,262,311)	(365,523)
	1,759,825	2,871,170
Deduct:		
Allowance for non-recovery of loans and interest	(1,481,664)	(1,677,074)
Loans and interest due from producers at end of year	$ 278,161	$ 1,194,096

Note 5 Investments in Motion Pictures

The Corporation's investment in motion pictures is limited to 25% of the total funds required for a project. Details of investments are as follows:

	1989	1988
Investments in motion pictures	$1,150,941	$ -
Less: Allowance for write down	287,735	-
	$ 863,206	$ -

Note 6 Due to the Province of Alberta

Operating expenses of the Corporation are paid by the Province of Alberta. The unexpended portion of the Province's contribution and the interest earned on the operating advances are due to the Province.

	1989	1988
Balance at beginning of year	$ 12,148	$ 17,115
Cash received during the year	410,600	383,900
	422,748	401,015
Operating expenses for the year	(421,114)	(391,870)
	1,634	9,145
Interest earned	-	3,003
Balance at end of year	$ 1,634	$ 12,148

Note 7 Due to the Motion Picture Development Fund

	1989	1988
Due to the Fund at beginning of year before allowance for non-recovery and write down	$ 2,967,941	$ 2,797,290
Add:		
Advances in year	1,397,350	277,779
Interest earned in year on loans to producers	276,736	248,527
Other interest income	50,467	6,208
Fixed asset disposals	-	3,660
Deduct:		
Loans and interest due from producers written off	(1,262,311)	(365,523)
	3,430,183	2,967,941
Deduct:		
Allowance for non-recovery of loans and interest due from producers	(1,481,664)	(1,677,074)
Allowance for write down in investments	(287,735)	-
Due to the Fund at end of year	$ 1,660,784	$ 1,290,867

At March 31, 1989, there was a balance of approximately $7.6 million remaining in the Fund which was available to the Corporation.

Note 8 Commitments

a) Loans and investments

At March 31, 1989, the Corporation was committed to making loans and investments of $644,974 (1988 $384,321) to producers of motion pictures.

b) Long-term leases

Future minimum lease payments under a lease relating to computer equipment are as follows:

Year ending March 31

1990	$ 6,095
1991	6,095
1992	6,095
1993	6,095
1994	5,766
Thereafter	1,718
	$31,864

Note 9 Comparative Figures

The 1988 figures have been reclassified where necessary to conform to 1989 presentation.

Note 10 Approval of Financial Statements

Management reviewed these financial statements and recommended their approval by the Board of Directors